

Approved For Release 2001/03/05 : CIA-RDP82-00457R001600680003-

INFORMATION REPORT

218209

COUNTRY Austria/USSR

DATE DISTR13 July 1948

SUBJECT Relations of Laenderbank with Soviet Element

NO. OF PAGES 2

25X1C

PLACE
ACQUIRED

NO. OF ENCLS.
(LISTED BELOW)

DATE OF INFO [REDACTED] 25X1A

SUPPLEMENT TO
REPORT NO. [REDACTED] 25X1A

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1. The Laenderbank has often been mentioned as the possible successor of Soviet Military Bank 2111 in handling Soviet financial affairs in Austria. A Soviet proposal that the Laenderbank assume such a role was presented in May 1947 by Director Cyrullik (sic) (Kirullik?) (Comment: Also reported as Cirullik) of the Military Bank to Director Albrechtsberger of the Laenderbank. The discussions were discontinued because the Laenderbank representative demanded a memorandum from Cyrullik setting forth in detail the terms of the Soviet proposal, a condition which Cyrullik refused to fulfill. Negotiations were resumed in March 1948, but no satisfactory basis for agreement could be reached. Cyrullik is assisted in his activities by a German-speaking captain named Steinschlaeger, Moscow bank director and an adviser to the Soviet Element in Austria on money and banking.
2. Merx Import and Export G.m.b.H. is a trading corporation established by the Laenderbank after World War I to handle foreign trade for firms controlled by the bank. Merx was dissolved by the Nazis, but was reactivated in 1945, after the beginning of the occupation. Since its reactivation, Merx has been primarily concerned with the sale of products of the Austrian nitrogen industry, export of wood to Italy and France, cotton and wool transactions within the framework of British pound credits, and some trade transactions for private firms. Although no agreement has been concluded between Merx and USIA, Colonel Tikhomirov and Shletrinsky of USIA have approached Director Albrechtsberger with a view to establishing a working arrangement. Merx has carried out a few transactions with individual USIA plants, such as Eisen- u. Stahl-A.G. and Siemens-Schuckert A.G., but these were made directly with the factory concerned and did not pass through USIA channels.
3. Efforts by Merx to deal with USIA as a whole, or with most USIA firms, have usually resulted in failure because of unfavorable conditions imposed by the Soviet concern. For example, USIA offered Merx three locomotives for \$90,000 each, as well as assorted electrical and radio equipment out of war stocks, also iron and steel products (excluding agricultural machinery). However, USIA made the condition that Merx sell such goods only to countries able to pay in dollars. Furthermore, USIA prices are higher than world market prices for the same products, and the Soviets demand 100% of the foreign currency gained from such transactions, offering Merx Austrian schillings. Since

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Merx is not required by importing countries to furnish a certificate of origin for the goods which it sells, the fact that the goods originated with USIA enterprises would present no difficulties. The Soviets are fully aware of this fact and are anxious to take advantage of it, but their conditions have been so completely unacceptable that no understanding has been reached.

4. The Soviet Military Bank has accounts with the Laenderbank, the Creditanstalt, and the Austrian National Bank. As of mid-April 1948, liquid assets of the Soviet Military Bank totaled 105,000,000 to 108,000,000 schillings; nevertheless, the bank extends no credit to USIA ~~Comment~~: Presumably, USIA enterprises are meant here). The Military Bank makes considerable use of its Laenderbank account and has a large part of its payment made through the Laenderbank, charging an assessment (Umlage) of 20%, whereas Austrian banks are legally allowed to charge only 9 $\frac{1}{2}$ %. ~~Comment~~: The foregoing may be explained by the fact that USIA enterprises are required to borrow exclusively from the Soviet Military Bank which, in turn, draws on its accounts in the Laenderbank, charging 20% interest on its loans to Soviet-controlled companies.) 25X1A

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